



Telecommunications Access Policy Division

Wireline Competition Bureau

USF 101

Universal Service Fund (USF)

“Universal service” – the availability of affordable, reliable telecommunications service throughout the nation – is a fundamental goal of federal telecom law.

Pursuant to Section 254 of the Telecommunications Act of 1996, the FCC established the Universal Service Fund in 1997 to subsidize telecom services for low-income consumers, rural health care providers, schools and libraries, and consumers in high-cost areas.

Contributions flow from telecom providers via an assessment on their interstate end-user revenues

Wireline telco

Wireless telco

Cable

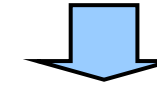
... Into the four Universal Service Fund programs, administered by the Universal Service Administrative Co. (USAC) under FCC direction ...

High-Cost

Lifeline

E-Rate

Rural Health Care



... Which distributes funds to eligible entities to reduce the costs of service

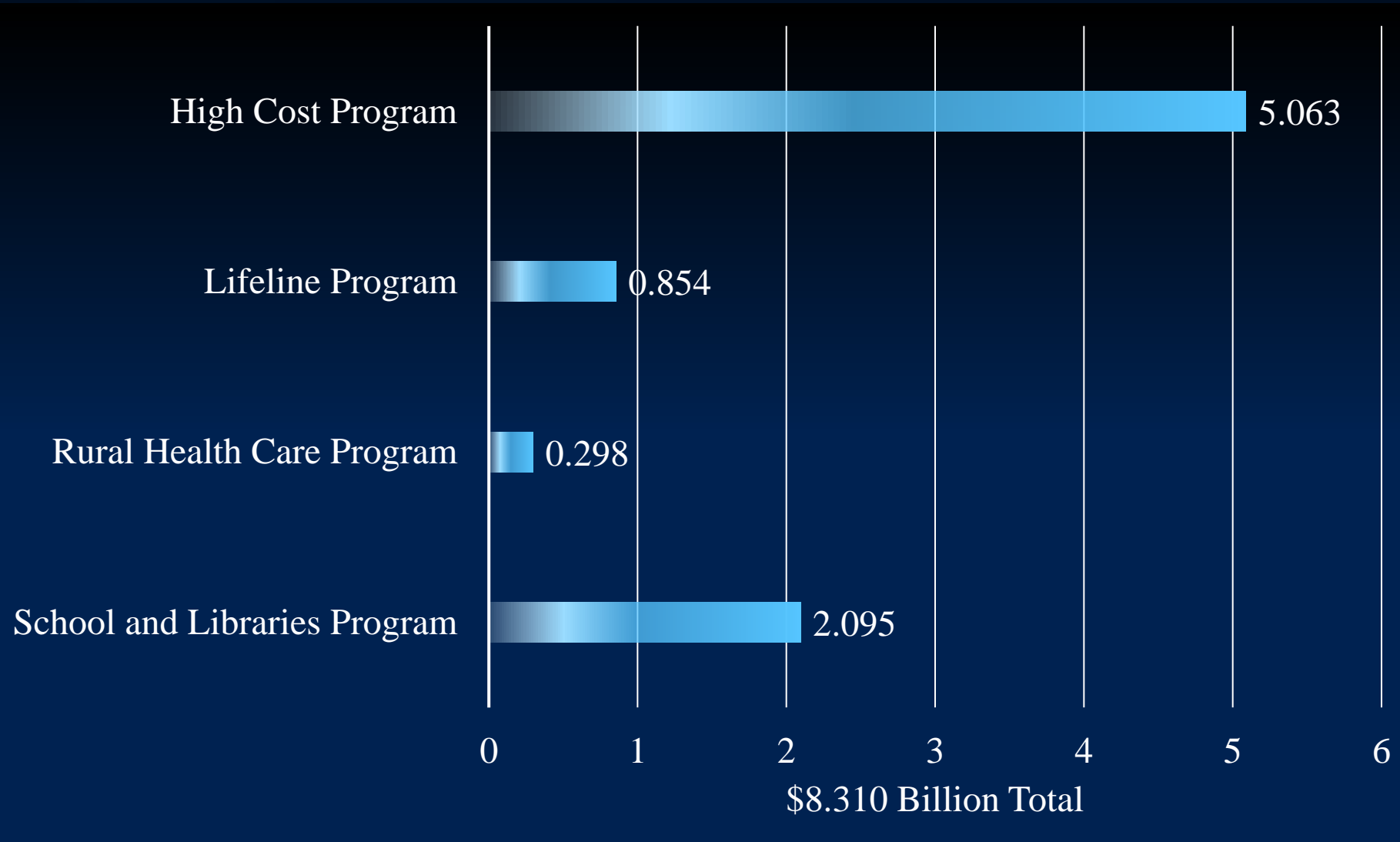
Reduces costs for providers of voice and broadband

Reduces costs for low-income consumers

Reduces costs for schools and libraries

Reduces costs for rural health care providers

2020 Authorized USF Support



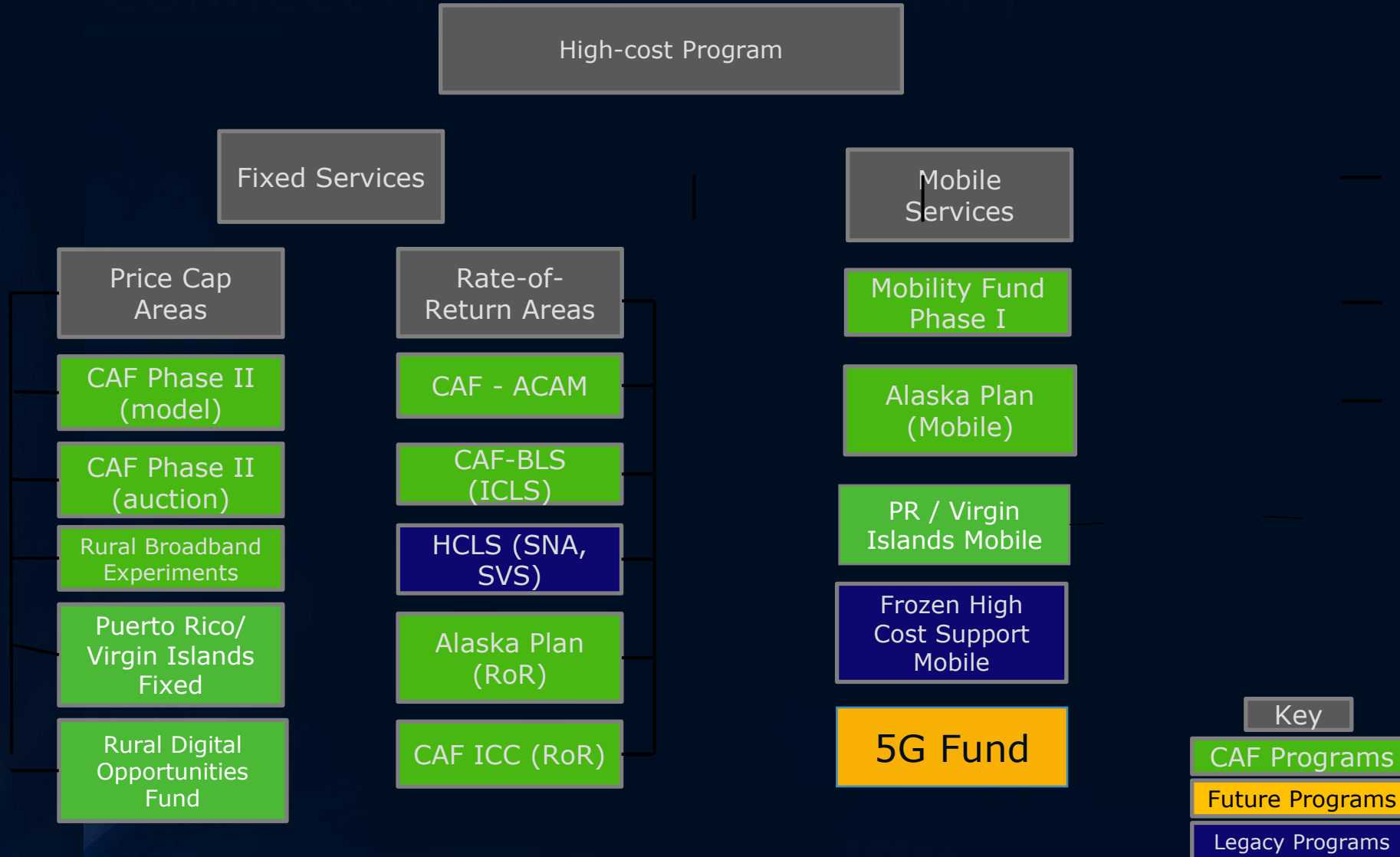
USF Reform Objectives

- Reorienting USF away from supporting telephone service and toward supporting modern broadband communications
- Promoting efficiency, accountability, and fiscal responsibility
- Eliminating waste, fraud, and abuse
- Closing the digital divide between urban and rural America

Connect America Fund

THE HIGH-COST PROGRAMS

Connect America Fund (CAF)



CAF Principles

Universal service: Deliver, expand, and maintain voice and broadband service in high-cost areas that is reasonably comparable to urban areas

Fiscal responsibility: Eliminate inefficiency and control costs to manage ratepayers' burdens

Regulatory Goals

- No subsidy for areas served by unsubsidized competitor
- Dedicated support for highest cost areas
- Incentive-based support: Support amounts determined by cost models or competitive bidding (including reverse auctions)
- Explicit, accountable public interest obligations, including mandatory build-out and performance testing
- Budget for CAF support

CAF Phase II

Model Support Offer: offered modeled-based support to price cap carriers

- In 2015, 10 carriers accepted \$9 billion over 6 years to deploy at least 10/1 Mbps broadband to more than 3.6 million locations by end of 2020
 - As of 2019, almost 3.5 million locations reported deployed

Auction: support for areas where price cap carriers declined model support and certain other price cap areas was auctioned in 2018

- As of November 2020, have authorized \$1.476 billion in support over 10 years to 193 winning bidders to provide fixed broadband and voice services to over 700,000 locations in 45 states
 - Winning bidders included wireless Internet service providers, satellite, electric cooperatives, and price cap and rate-of-return carriers
- 40% of locations must be served by the end of 2022, 100% by 2025

Rural Digital Opportunity Fund (RDOF)

The RDOF Auction

- RDOF Phase I (Auction 904) targeted support to census blocks that Commission data show are unserved by 25/3 Mbps broadband service
- On December 7, 2020, the Commission announced that Auction 904 had closed on November 25.
 - \$9.23 billion in support awarded over 10 years to 180 winning bidders to provide fixed broadband and voice service to 5.22 million locations in 49 states (Alaska was ineligible due to its own funding mechanism) and 1 territory (U.S. Mariana Islands)
 - 5.2 million locations (99.7%) to receive 100/20 Mbps or Gigabit per second service
 - 4.5 million locations (85.57%) to receive Gigabit per second service
- Winning bidders filed post-auction long-form applications, which are currently being reviewed by FCC staff.

CAF: Alaska, Puerto Rico, US Virgin Islands

- Alaska
 - ACS (price cap) receiving frozen support over 10 years in lieu of model-based support to deploy broadband to 19 million locations
 - Alaska Plan provided fixed support amounts to rate-of-return carriers and their mobile affiliates over 10 years to maintain and deploy voice and broadband
- Uniendo a Puerto Rico and Connect USVI Stage 2
 - Awarded support over 10 years for fixed service through competitive process, and allocated support for 3 years to mobile service
 - Winning applicants will be able to receive funding after completing the Commission's remaining steps for authorizing high-cost support
 - In Puerto Rico, Liberty Communications won \$71.54 million in support to serve all locations in 43 of Puerto Rico's 78 municipios; Puerto Rico Telephone Company won \$55.56 million in support to serve all locations in the other 35 municipios
 - In the US Virgin Islands, Broadband VI won \$84.5 million to provide 1 Gbps service to 46,039 locations across all islands
 - For 6 mobile carriers, authorized \$254.4 million to Puerto Rico and \$4.4 million to the US Virgin Islands, 25% of which must be used towards the deployment of 5G network technology

CAF: Rate-of-Return (RoR) Carriers

- Model-based support (A-CAM) or remain on legacy mechanisms (legacy carriers)
 - A-CAM I: obligation to deploy 25/3, 10/1, 4/1 and upon reasonable request
 - 262 companies in 43 states have elected A-CAM I
 - A-CAM II: obligation to deploy 25/3, 4/1 and upon reasonable request
 - 171 companies to deploy 25/3 to more than 363,000 locations, including more than 37,000 locations on Tribal lands
 - As of 2019, 437 study areas remain on legacy mechanisms
- Legacy carriers: Increased budget in December 2018, with annual inflation adjustment, and guaranteed minimum amount of support
 - Additional support for operating expenses for companies serving primarily Tribal lands
 - Defined deployment obligations at 25/3 Mbps
 - In 2018 sought comment on: Study areas with 100 percent overlap by competitors, a Tribal Broadband Factor for legacy carriers, and impact of broadband-only lines (no voice) on legacy support levels
- All RoRs annually report geolocated deployment information

Lifeline

AFFORDABLE COMMUNICATION SERVICES
FOR LOW-INCOME CONSUMERS

Lifeline Principles

Affordable Service: Congress mandated, in section 254(b) of Telecommunications of 1996 Act, that every American have access to “quality services at just, reasonable, and affordable rates”

Fiscal responsibility: Eliminate waste, fraud, and abuse through reasonable control mechanisms

Regulatory Goals

- Subsidize service: provide \$9.25 per month for broadband service or \$5.25 per month for voice service to eligible households, and up to \$34.25 for eligible household on Tribal lands
- Ensure affordability of mobile and fixed broadband.
- Minimum service standards: protect comparability in service through mandatory minimum standards.
- Verified eligibility: independent, third-party National Verifier to handle eligibility verification and certification
- Transparency: Makes more program data publicly available

Lifeline National Eligibility Verifier

Modern Database Verification: Unified interface to independently process eligibility verification and recertification of Lifeline subscribers

Improving Program Integrity: Interconnected verification with other agency and state eligibility databases to improve program controls

Launch Progress

- The National Verifier has fully launched in all states and territories.

Automated Eligibility Checks

- Whenever possible, NV uses connections to federal and state databases to streamline the eligibility check
- With the addition of a nationwide automated connection to the Centers for Medicare & Medicaid Services for Medicaid eligibility data, the NV has achieved a 67% eligibility pass rate for new applications

Rural Health Care

FUNDING TELECOMMUNICATIONS AND BROADBAND SERVICES
AND FACILITIES FOR RURAL HEALTH CARE PROVIDERS

Rural Health Care Principles

Access for Rural Health Care Providers: In the 1996 Telecommunications Act, Congress mandated that the FCC enhance access to broadband and telecommunications services for eligible public or nonprofit health care providers (HCPs).

Regulatory Overview

- The Rural Health Care (RHC) Program is made up of two subprograms: the Telecommunications Program and the Healthcare Connect Fund (HCF) Program.
 - *Telecommunications*: Subsidizes the difference between the urban and rural rate for telecommunications services purchased by eligible HCPs.
 - *HCF*: Provides a flat 65% discount for the cost of broadband services and facilities. Eligible non-rural HCPs can participate in a consortium and receive support if the majority of members in the consortium are eligible rural HCPs.
- Eligibility: (1) Post-secondary educational institutions offering healthcare instruction, teaching hospitals and medical schools; (2) community health centers or migrant health centers; (3) local health departments or agencies; (4) community mental health centers; (5) not-for-profit hospitals; (6) rural health clinics; (7) skilled nursing facilities; (8) consortium of HCPs consisting of one or more entities falling into the first seven categories.
- Timeline: Commitments are made by funding year, which runs from July 1 through the following June 30.

Rural Health Care Developments

- **January 2018 RHC Program Funding Order:** The FCC adopted rules to increase the funding cap to \$571 million and to apply it to FY2017; annually adjust the cap for inflation beginning with FY2018; and establish a process to carry forward unused funds from past funding years for use in future funding years.
- **Funding for FY2021:** The cap for FY2021 is \$612 million, after adjustments for inflation.

Contributions

FUNDING THE UNIVERSAL SERVICE FUND

Contributions

- Pursuant to Section 254(d) of the Telecommunications Act of 1996, all telecommunications service providers must contribute to the Universal Service Fund based on a percentage of their interstate and international end-user telecommunications revenues.
- Under current rules, certain interstate voice and data services (whether offered by wireline or wireless carrier) and interconnected VoIP offered by any entity is subject to the contributions requirement. The contribution factor is announced on a quarterly basis and contributions are assessed monthly on providers. Contributors generally elect to recover their contributions payments through their end users' monthly bills.
- The Commission has sought recommendations from the Federal-State Joint Board on Universal Service on contributions methodology reform.



Questions?